

Audit Highlights



Highlights of Legislative Auditor report on the Department of Health and Human Services, Division of Welfare and Supportive Services, issued on May 14, 2007. Report # LA08-03.

Background

The Welfare Division was created in 1937. During the 2005 Legislative Session, the Division was renamed the Division of Welfare and Supportive Services, a Division of the Department of Health and Human Services. The Division's mission is to provide quality, timely, and temporary services enabling Nevada families, the disabled, and elderly to achieve their highest levels of self-sufficiency.

The Division has a central office in Carson City, and additional offices in 10 other cities and towns throughout the State. Programs administered by the Division include the following: Temporary Assistance for Needy Families (TANF), Food Stamps, Employment and Support Services, Child Support Enforcement, Child Care and Development, and Energy Assistance.

As of June 30, 2006, the Division had 1,247 authorized full-time equivalent positions. During fiscal year 2006, the Division's total revenue was \$394.3 million, including \$195.7 million recorded in the Child Support, Collection, and Distribution; Child Support Federal Reimbursement; and Universal Energy Charges pass through accounts.

Purpose of Audit

This audit included a review of the Division's Investigations and Recovery Unit, Child Care and Development Program, and certain personnel functions for the 18 months ending June 30, 2006. In addition, we reviewed some activities for the Child Care and Development Program through October 2006. The objectives of the audit were to assess: the Investigations and Recovery Unit's efforts to ensure the recovery and monitoring of identified benefit errors and overpayments; the Child Care and Development Program's monitoring of child care contractors; and the Division's compliance with certain personnel laws, rules, and regulations.

Audit Recommendations

This report contains 12 recommendations to improve the Division's processes, including 8 recommendations to strengthen the Investigations and Recovery Unit's functions. In addition, we made three recommendations to help improve the Division's oversight of child care contractors and clients. Finally, we have included one recommendation to assist the Division in improving compliance with state personnel laws relating to employee performance evaluations and work performance standards.

The Division accepted the 12 audit recommendations.

Status of Recommendations

The Division's 60-day plan for corrective action is due on August 8, 2007. In addition, the six-month report on the status of audit recommendations is due on February 8, 2008.

Division of Welfare and Supportive Services

Department of Health and Human Services

Results in Brief

The Division of Welfare and Supportive Services could improve its identification and collection of overpayments of benefits. Timely identification and collection actions could result in increased collections and fewer write-offs of uncollectible overpayments. The Division's procedures include timeframes for completing investigations and taking collection actions, but not all Investigation and Recovery Unit offices consistently followed the procedures. In addition, the Division can improve its controls over reporting outstanding debt and writing off uncollectible debt.

The Division also needs to improve oversight of the Child Care and Development Program. During fiscal year 2006, the Program spent over \$41 million and served more than 3,900 families per month. Contractors were responsible for processing payments to the businesses that provided child care services to families. However, the Division could do more to ensure the Program's objectives are met and funds are used efficiently by strengthening its review of contractor expenditures.

Principal Findings

The Division did not ensure investigations were completed timely. Division policy requires investigations be completed within 10 working days of being assigned to an investigator. Our review of 27 investigations found that 16 were not completed within 10 working days. Not meeting the 10 working day policy causes delays in the debt recovery process.

Benefit overpayments are not being calculated timely in all Division offices because different procedures were used by different offices. Division procedure requires benefit overpayments be calculated within 90 days after the calendar quarter in which the overpayment was discovered by Investigations and Recovery Unit staff. Our review of 10 investigations resulting in benefit overpayments at the Carson City and Reno offices found all overpayments were calculated within 90 days. Our review of 10 investigations from the Las Vegas office found 9 had been completed for more than 6 months and an overpayment had not been calculated. Delays in calculating overpayments reduces the probability of recovering the debt and increases the risk benefits may continue to be paid to a client not meeting program requirements.

The Division lacks comprehensive procedures for writing off uncollectible debt. This resulted in debt write-offs not receiving approvals from the appropriate level in Division management. In addition, the Division does not adequately prepare or retain monthly uncollectible debt reports. During fiscal year 2006, the Division wrote off nearly \$920,000 in uncollectible benefit overpayments. Improved procedures will provide the Division with greater assurance that debts are written off in compliance with Division policy and management receives accurate information on the amount of debt written off each year.

Although the Division reported individuals owe over \$7 million in benefit overpayments, the Division lacks adequate reports for monitoring these debts. The current Investigations and Recovery process for preparing the monthly caseload report has not been documented, is time consuming, and results in errors. In addition, the Division lacks reports on the age of debts.

The Division can improve oversight of child care contractors by ensuring adequate review of contractor expenditures. The Division uses contractors for certain administrative functions of the Child Care and Development Program. However, the Division's procedures do not include documented processes for reviewing and verifying the accuracy of the contractors' reported expenditures. In addition, the Division's internal audit function could work with management to develop audit steps for audits of child care contractors, including tests of expenditures. In April 2006, the Division terminated its contract with one child care contractor because the contractor's financial problems led to its inability to fulfill the terms of the contract. At the time the contract was terminated, the contractor owed the State \$53,000. The Division has since collected most of this amount through the State Controller's Office.

The Division has made efforts to strengthen controls over some personnel functions through improved reporting and documentation. However, 21 of the 30 employees included in our review either had not received an evaluation during fiscal year 2006, or received their evaluation late. Although the Division's Personnel Unit prepares reminder reports for performance evaluations, the Division lacks procedures for holding supervisors accountable for evaluations.